

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Galesburg	County Kalamazoo
Fiscal Year End June 30, 2006	Opinion Date October 12, 2006	Date Audit Report Submitted to State 11/30/06	

We affirm that:

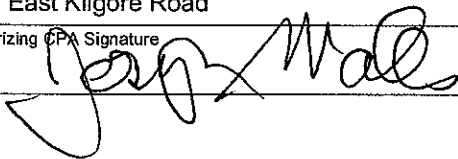
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Nothing to report	
Other (Describe)	<input type="checkbox"/>	No other documents necessary	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 	Printed Name Joseph M. Walls		License Number 1101013696

City of Galesburg
Kalamazoo County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2006

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INDEPENDENT AUDITORS' REPORT

City Council
City of Galesburg, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Galesburg, Michigan, as of June 30, 2006, and for the year then ended, which collectively comprise the City of Galesburg, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the City of Galesburg, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Galesburg, Michigan, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 27 to 29, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The City of Galesburg, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Galesburg, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Galesburg, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

October 12, 2006

BASIC FINANCIAL STATEMENTS

City of Galesburg
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 396,331	\$ 1,117,580	\$ 1,513,911
Receivables, net	140,672	313,385	454,057
Internal balances	(6,959)	6,959	-
Total current assets	<u>530,044</u>	<u>1,437,924</u>	<u>1,967,968</u>
Noncurrent assets:			
Receivables, net	4,588	5,258	9,846
Capital assets not being depreciated - land and construction in progress	123,541	677,310	800,851
Capital assets, net of accumulated depreciation	<u>787,644</u>	<u>753,640</u>	<u>1,541,284</u>
Total noncurrent assets	<u>915,773</u>	<u>1,436,208</u>	<u>2,351,981</u>
Total assets	<u>1,445,817</u>	<u>2,874,132</u>	<u>4,319,949</u>
LIABILITIES			
Current liabilities:			
Accounts payable	37,223	281,355	318,578
Current maturities of long-term liabilities	<u>34,376</u>	<u>10,000</u>	<u>44,376</u>
Total current liabilities	<u>71,599</u>	<u>291,355</u>	<u>362,954</u>
Noncurrent liabilities:			
Compensated absences	46,071	-	46,071
Bonds and notes payable	<u>117,386</u>	<u>714,960</u>	<u>832,346</u>
Total noncurrent liabilities	<u>163,457</u>	<u>714,960</u>	<u>878,417</u>
Total liabilities	<u>235,056</u>	<u>1,006,315</u>	<u>1,241,371</u>
NET ASSETS			
Invested in capital assets, net of related debt	635,882	28,680	664,562
Restricted	346,850	-	346,850
Unrestricted	<u>104,488</u>	<u>1,837,276</u>	<u>1,941,764</u>
Total net assets	<u>\$ 1,087,220</u>	<u>\$ 1,865,956</u>	<u>\$ 2,953,176</u>

See notes to the financial statements

City of Galesburg
STATEMENT OF ACTIVITIES
Year ended June 30, 2006

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>	
		<u>Charges for services</u>	<u>Operating grants and contributions</u>
Governmental activities:			
Legislative	\$ 9,290	\$ -	\$ -
General government	142,664	6,248	-
Public safety	254,959	32,705	-
Public works	175,338	1,128	125,294
Community and economic development	2,514	-	-
Culture and recreation	81,385	38,361	1,580
Interest on long-term debt	7,832	-	-
Total governmental activities	<u>673,982</u>	<u>78,442</u>	<u>126,874</u>
Business-type activities:			
Sewer	154,654	147,962	-
Water	123,314	223,105	-
Total business-type activities	<u>277,968</u>	<u>371,067</u>	<u>-</u>
Total primary government	<u>\$ 951,950</u>	<u>\$ 449,509</u>	<u>\$ 126,874</u>

General revenues:
Property taxes
State shared revenues
Unrestricted investment income
Franchise fees
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

**Net (expenses) revenues and
changes in net assets**

<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
\$ (9,290)		\$ (9,290)
(136,416)		(136,416)
(222,254)		(222,254)
(48,916)		(48,916)
(2,514)		(2,514)
(41,444)		(41,444)
<u>(7,832)</u>		<u>(7,832)</u>
<u>(468,666)</u>		<u>(468,666)</u>
-	\$ (6,692)	(6,692)
<u>-</u>	<u>99,791</u>	<u>99,791</u>
-	93,099	93,099
<u>(468,666)</u>	<u>93,099</u>	<u>(375,567)</u>
262,546	-	262,546
192,516	-	192,516
1,813	16,380	18,193
12,626	-	12,626
<u>23,463</u>	<u>-</u>	<u>23,463</u>
<u>492,964</u>	<u>16,380</u>	<u>509,344</u>
24,298	109,479	133,777
<u>1,186,463</u>	<u>1,756,477</u>	<u>2,942,940</u>
<u>\$ 1,210,761</u>	<u>\$ 1,865,956</u>	<u>\$ 3,076,717</u>

See notes to the financial statements

City of Galesburg
BALANCE SHEET - governmental funds
June 30, 2006

	<u>General</u>	<u>Major Street</u>	<u>Nonmajor governmental funds</u>
ASSETS			
Cash	\$ 46,115	\$ 131,074	\$ 178,920
Receivables, net	89,011	36,311	19,383
Due from other funds	19,012	-	6,994
	<u>154,138</u>	<u>167,385</u>	<u>205,297</u>
Total assets	\$ 154,138	\$ 167,385	\$ 205,297
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 20,744	\$ -	\$ 15,184
Due to other funds	1,483	2,355	1,660
Deferred revenue	-	21,270	-
Advances from other funds	38,000	-	-
	<u>60,227</u>	<u>23,625</u>	<u>16,844</u>
Total liabilities	60,227	23,625	16,844
Fund balances, unreserved	93,911	143,760	188,453
	<u>154,138</u>	<u>167,385</u>	<u>205,297</u>
Total liabilities and fund balances	\$ 154,138	\$ 167,385	\$ 205,297

Total fund balances - total governmental activities

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets (exclusive of \$60,967 of the internal service fund) used in *governmental activities* are not financial resources and, therefore, are not reported in the governmental funds.

Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Long-term bonds and notes payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the governmental funds.

The net assets (including capital assets of \$59,988) and liabilities of the internal service fund are included in the *governmental activities* in the statement of net assets.

Net assets of *governmental activities*

***Total
governmental
funds***

\$ 356,109
144,705

26,006

\$ 526,820

\$ 35,928
5,498
21,270

38,000

100,696

426,124

\$ 526,820

\$ 426,124

850,218

(46,071)

(151,762)

21,270

110,982

\$ 1,210,761

See notes to the financial statements

City of Galesburg**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended June 30, 2006

	<u>General</u>	<u>Major Street</u>
REVENUES		
Property taxes	\$ 237,822	\$ -
State grants	199,558	91,092
Intergovernmental	15,840	-
Fines and forfeitures	49,549	-
Charges for services	23,306	-
Interest and rentals	316	625
Other	<u>14,095</u>	<u>3,476</u>
Total revenues	<u>540,486</u>	<u>95,193</u>
EXPENDITURES		
Legislative	9,290	-
General government	142,721	-
Public safety	240,670	-
Public works	45,078	124,271
Community and economic development	2,514	-
Culture and recreation	76,145	-
Debt service:		
Principal	13,993	-
Interest and fiscal charges	362	-
Capital outlay	<u>6,275</u>	<u>-</u>
Total expenditures	<u>537,048</u>	<u>124,271</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,438</u>	<u>(29,078)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	<u>-</u>	<u>(23,056)</u>
Total other financing sources (uses)	<u>-</u>	<u>(23,056)</u>
NET CHANGE IN FUND BALANCES	3,438	(52,134)
FUND BALANCES - BEGINNING	<u>90,473</u>	<u>195,894</u>
FUND BALANCES - ENDING	<u>\$ 93,911</u>	<u>\$ 143,760</u>

<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ 24,724	\$ 262,546
28,740	319,390
-	15,840
-	49,549
-	23,306
2,000	2,941
8,473	26,044
<u>63,937</u>	<u>699,616</u>
-	9,290
-	142,721
	240,670
45,996	215,345
-	2,514
1,123	77,268
27,295	41,288
7,470	7,832
-	6,275
<u>81,884</u>	<u>743,203</u>
<u>(17,947)</u>	<u>(43,587)</u>
23,056	23,056
-	(23,056)
<u>23,056</u>	<u>-</u>
5,109	(43,587)
<u>183,344</u>	<u>469,711</u>
<u>\$ 188,453</u>	<u>\$ 426,124</u>

See notes to the financial statements

City of Galesburg

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended June 30, 2006

	<u>Total governmental funds</u>
Net change in fund balances - total governmental funds	\$ (43,587)
Amounts reported for governmental activities in the statement of activities (page 6) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$99,761) exceeded depreciation depreciation (\$41,396) in the current period.	58,365
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal on such debt consumes the current financial resources of the governmental funds. Neither transaction, however, has an effect on net assets.	41,288
Assessment revenues reported in the funds were earned in prior years and are not reported in the statement of activities.	(1,336)
Compensated absences reported in the statement of activities do not require the use of current financial resources, and, therefore, are not reported as expenditures in governmental funds.	(13,852)
The net expenses of the internal service fund is reported with governmental activities.	<u>(16,580)</u>
Change in net assets of governmental activities	<u>\$ 24,298</u>

See notes to the financial statements

City of Galesburg
STATEMENT OF NET ASSETS - proprietary funds
June 30, 2006

	Business-type activities			Governmental activities
	Enterprise funds			Internal service
	Sewer	Water	Totals	
ASSETS				
Current assets:				
Cash and investments	\$ 526,760	\$ 590,820	\$1,117,580	\$ 40,222
Receivables, net	37,589	255,105	292,694	555
Due from other funds	3,445	-	3,445	-
Total current assets	<u>567,794</u>	<u>845,925</u>	<u>1,413,719</u>	<u>40,777</u>
Noncurrent assets:				
Receivables	13,545	12,404	25,949	-
Advances to other funds	38,000	-	38,000	-
Capital assets, net of accumulated depreciation	<u>405,929</u>	<u>1,025,021</u>	<u>1,430,950</u>	<u>60,967</u>
Total noncurrent assets	<u>457,474</u>	<u>1,037,425</u>	<u>1,494,899</u>	<u>60,967</u>
Total assets	<u>1,025,268</u>	<u>1,883,350</u>	<u>2,908,618</u>	<u>101,744</u>
LIABILITIES				
Current liabilities:				
Accounts payable	17,504	265,712	283,216	1,295
Due to other funds	12,430	9,734	22,164	1,789
Bonds payable - current	<u>7,500</u>	<u>2,500</u>	<u>10,000</u>	<u>-</u>
Total current liabilities	<u>37,434</u>	<u>277,946</u>	<u>315,380</u>	<u>3,084</u>
Noncurrent liabilities - bonds payable	<u>45,000</u>	<u>669,960</u>	<u>714,960</u>	<u>-</u>
Total liabilities	<u>82,434</u>	<u>947,906</u>	<u>1,030,340</u>	<u>3,084</u>
NET ASSETS				
Invested in capital assets, net of related debt	353,429	352,561	705,990	60,967
Unrestricted	<u>589,405</u>	<u>582,883</u>	<u>1,172,288</u>	<u>37,693</u>
Total net assets	<u>\$ 942,834</u>	<u>\$ 935,444</u>	<u>1,878,278</u>	<u>\$ 98,660</u>

Amounts reported for business-type activities in the statement of net assets are difference because:

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>(12,322)</u>
Net assets of business-type activities	<u>\$1,865,956</u>

See notes to the financial statements

City of Galesburg
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
proprietary funds
Year ended June 30, 2006

	Business-type activities			Governmental activities
	Enterprise funds			Internal service
	Sewer	Water	Totals	
OPERATING REVENUES				
Charges for services	\$ 142,989	\$ 223,105	\$ 366,094	\$ 28,044
Other	4,973	-	4,973	-
Total operating revenues	147,962	223,105	371,067	28,044
OPERATING EXPENSES				
Personnel costs	29,057	51,245	80,302	24,597
Operating supplies	10,952	18,825	29,777	12,962
Office supplies	500	72	572	-
Treatment charges	64,039	-	64,039	-
Maintenance and repairs	23,015	16,497	39,512	569
Utilities	273	6,775	7,048	-
Equipment rental	1,909	7,107	9,016	-
Insurance	803	380	1,183	-
Depreciation	19,376	15,299	34,675	14,124
Total operating expenses	149,924	116,200	266,124	52,252
OPERATING INCOME (LOSS)	(1,962)	106,905	104,943	(24,208)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	14,036	2,344	16,380	-
Interest expense	(3,160)	(1,056)	(4,216)	-
Total nonoperating revenues	10,876	1,288	12,164	-
CHANGE IN NET ASSETS	8,914	108,193	117,107	(24,208)
TOTAL NET ASSETS - BEGINNING	933,920	827,251	1,761,171	122,868
TOTAL NET ASSETS - ENDING	\$ 942,834	\$ 935,444	\$ 1,878,278	\$ 98,660
Change in net assets			\$ 117,107	
Amounts reported for business-type activities in the statement of activities are different because:				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			(7,628)	
Change in net assets of business-type activities			\$ 109,479	

See notes to the financial statements

City of Galesburg
STATEMENT OF CASH FLOWS - proprietary funds
Year ended June 30, 2006

	Business-type activities			Governmental activities
	Enterprise funds			Internal service
	Sewer	Water	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 147,867	\$ 217,059	\$ 364,926	\$ -
Receipts from interfund services provided	-	-	-	27,489
Payments to suppliers	(99,500)	21,676	(77,824)	(11,511)
Payments to employees	(29,057)	(51,245)	(80,302)	(24,597)
Internal activity - payments to other funds	(1,909)	(7,107)	(9,016)	-
Net cash provided by (used in) operating activities	17,401	180,383	197,784	(8,619)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayment of long-term advances	6,000	-	6,000	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Loan proceeds	-	447,214	447,214	-
Purchase of capital assets	-	(432,350)	(432,350)	(16,823)
Proceeds from sale of capital assets	-	-	-	1,718
Principal paid on capital debt	(7,500)	(2,500)	(10,000)	-
Interest paid on capital debt	(3,160)	(1,056)	(4,216)	-
Net cash provided by (used in) capital and related financing activities	(10,660)	11,308	648	(15,105)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	14,036	2,344	16,380	-
NET INCREASE (DECREASE) IN CASH	26,777	194,035	220,812	(23,724)
CASH - BEGINNING	499,983	396,785	896,768	63,946
CASH - ENDING	<u>\$ 526,760</u>	<u>\$ 590,820</u>	<u>\$ 1,117,580</u>	<u>\$ 40,222</u>
Supplemental information:				
Acquisition of capital assets	\$ -	\$ (640,094)	\$ (640,094)	\$ -
Increase in accounts payable	-	207,744	207,744	-
Net cash used	<u>\$ -</u>	<u>\$ (432,350)</u>	<u>\$ (432,350)</u>	<u>\$ -</u>

See notes to the financial statements

STATEMENT OF CASH FLOWS - *proprietary funds* (Continued)

Year ended June 30, 2006

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (1,962)	\$ 106,905	\$ 104,943	\$ (24,208)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	19,376	15,299	34,675	14,124
Changes in assets and liabilities:				
Accounts receivable	(1,817)	(7,768)	(9,585)	(555)
Due from other funds	1,722	1,722	3,444	-
Due to other funds	12,430	9,734	22,164	1,100
Accounts payable	(12,348)	54,491	42,143	920
Net cash provided by (used in) operating activities	<u>\$ 17,401</u>	<u>\$ 180,383</u>	<u>\$ 197,784</u>	<u>\$ (8,619)</u>

See notes to the financial statements

City of Galesburg

STATEMENT OF FIDUCIARY NET ASSETS - *agency fund*

June 30, 2006

ASSETS

Cash	\$ <u>3,939</u>
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LIABILITIES

Due to other governmental units	\$ <u>3,939</u>
---------------------------------	-----------------

See notes to the financial statements

City of Galesburg
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Galesburg, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the City. There are no component units, entities for which the City is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

City of Galesburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government. Only the portion of special assessment receivable due within the current year is considered susceptible to accrual as revenue of the current period.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the City's sewage collection systems.

The Water Fund accounts for the activities of the City's water distribution system.

Additionally, the City reports an internal service fund that accounts for vehicle and equipment management services provided to other departments of the City on a cost-reimbursement basis.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Galesburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

i) *Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 5 years
Sewer and water systems	50 years
Roads	10 - 30 years
Library collection	20 years

v) *Compensated absences (vacation and sick leave)* - It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

City of Galesburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

vii) Property tax revenue recognition - Property taxes are levied as of July 1 on property values assessed as of December 31 of the prior year. The billings are due on or before August 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Administration	\$ 87,755	\$ 90,424	\$ 2,669
General	Debt service	Principal	-	13,993	13,993
Major Street	Public works	Routine maintenance	37,822	40,694	2,872

NOTE 3 - DEPOSITS:

At June 30, 2006, cash as presented in the accompanying financial statements, consists of the following:

	<u>Govern- mental activities</u>	<u>Business- type activities</u>	<u>Fiduciary</u>	<u>Total primary government</u>
Deposits	\$ 396,261	\$ 1,117,517	\$ 3,939	\$ 1,517,717
Cash on hand	<u>70</u>	<u>63</u>	<u>-</u>	<u>133</u>
Total cash	<u>\$ 396,331</u>	<u>\$ 1,117,580</u>	<u>\$ 3,939</u>	<u>\$ 1,517,850</u>

City of Galesburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - DEPOSITS (Continued):

Deposits with financial institutions - State statutes and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of June 30, 2006, \$1,008,860 of the City's bank balances of \$1,522,050 was exposed to custodial credit risk because it was uninsured.

The City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

	<u>Accounts</u>	<u>Special assess- ments</u>	<u>Inter- govern- mental</u>	<u>Totals</u>
Governmental funds:				
General	\$ 6,320	\$ -	\$ 82,691	\$ 89,011
Major Streets	-	21,270	15,041	36,311
Nonmajor	\$ -	14,637	4,746	19,383
Totals	<u>\$ 6,320</u>	<u>\$ 35,907</u>	<u>\$ 102,478</u>	<u>\$ 144,705</u>
Proprietary funds:				
Sewer	\$ 37,589	\$ 13,545	\$ -	\$ 51,134
Water	47,361	12,404	207,744	267,509
Totals	<u>\$ 84,950</u>	<u>\$ 25,949</u>	<u>\$ 207,744</u>	<u>\$ 318,643</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ 9,846</u>	<u>\$ -</u>	<u>\$ 9,846</u>

City of Galesburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 123,541	\$ -	\$ -	\$ 123,541
Capital assets being depreciated:				
Buildings	717,735	-	-	717,735
Equipment and vehicles	548,589	30,698	(9,019)	570,268
Library collection	163,927	20,567	-	184,494
Infrastructure	54,068	65,319	-	119,387
Subtotal	<u>1,484,319</u>	<u>116,584</u>	<u>(9,019)</u>	<u>1,591,884</u>
Less accumulated depreciation for:				
Buildings	289,833	16,115	-	305,948
Equipment and vehicles	381,508	24,962	(7,298)	399,172
Library collection	82,275	8,297	-	90,572
Infrastructure	2,403	6,145	-	8,548
Subtotal	<u>756,019</u>	<u>55,519</u>	<u>(7,298)</u>	<u>804,240</u>
Total capital assets being depreciated, net	<u>728,300</u>	<u>61,065</u>	<u>(1,721)</u>	<u>787,644</u>
Governmental activities capital assets, net	<u>\$ 851,841</u>	<u>\$ 61,065</u>	<u>\$ (1,721)</u>	<u>\$ 911,185</u>

City of Galesburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated - land	\$ 37,216	\$ -	\$ -	\$ 37,216
Construction in progress	-	640,094	-	640,094
Subtotal	37,216	640,094	-	677,310
Capital assets being depreciated:				
Buildings and equipment	251,181	-	(876)	250,305
Sewer system	849,237	-	-	849,237
Water system	742,365	-	-	742,365
Subtotal	1,842,783	-	(876)	1,841,907
Less accumulated depreciation for:				
Buildings and equipment	203,488	2,695	(876)	205,307
Sewer system	507,213	16,734	-	523,947
Water system	343,767	15,246	-	359,013
Subtotal	1,054,468	34,675	(876)	1,088,267
Total capital assets being depreciated, net	788,315	(34,675)	-	753,640
Business-type activities capital assets, net	\$ 825,531	\$ 605,419	\$ -	\$ 1,430,950

Depreciation expense was charged to governmental activities functions of the City as follows:

Governmental activities:	
General government	\$ 12,051
Public safety	5,319
Public works	7,441
Recreation	16,585
Depreciation on capital assets of internal service funds	14,123
Total governmental activities	\$ 55,519

City of Galesburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES:

Noncurrent liabilities at June 30, 2006, are comprised of the following individual issues:

Governmental activities:

Accrued compensated absences	<u>\$ 46,071</u>
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Note payable - bank, installment purchase contract; secured by the full faith and credit of the City, payable in annual installments ranging from \$6,213 to \$6,469, including interest at 2.43%; final payment due July 1, 2006	6,492
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Note payable - bank, installment purchase contract; secured by the full faith and credit of the City, payable in annual installments of \$20,461, including interest at 3.42%; final payment due October 1, 2009	75,270
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\$125,000 1997 Michigan Transportation Fund limited obligation bonds; secured by the full faith and credit of the City, payable in annual installments ranging from \$5,000 to \$15,000, with interest payable semi-annually at rates from 4.0% to 5.3%; final payment due January 2012	<u>70,000</u>
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Total contracts and bonds	<u>151,762</u>
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Total governmental activities noncurrent liabilities	<u>\$ 197,833</u>
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Business-type activities:

\$150,000 1997 sewer and water revenue bonds; secured by sewer and water revenues, payable in annual installments of \$10,000 with a final installment of \$20,000, with interest payable semi-annually at rates from 4.0% to 5.25%; final payment due October 2011	\$ 70,000
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\$2,500,000 Drinking Water Revolving Fund bonds; payable in 20 annual installments of \$100,000 to \$150,000, principal payments commencing no later than April, 2008; with interest due at 2.125%, payable in semi-annual installments beginning October 2006. Balance represents cumulative draws on available proceeds to June 30, 2006.	<u>654,960</u>
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Total business-type activities noncurrent liabilities	<u>\$ 724,960</u>
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City of Galesburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - NONCURRENT LIABILITIES (Continued):

Noncurrent liability activity for the year ended June 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
1996 Note payable	\$ 7,653	\$ -	\$ (7,653)	\$ -	\$ -
2003 Note payable	92,565	-	(17,295)	75,270	17,883
2004 Note payable	12,832	-	(6,340)	6,492	6,493
1997 Transportation bonds	<u>80,000</u>	<u>-</u>	<u>(10,000)</u>	<u>70,000</u>	<u>10,000</u>
Total installment debt	193,050	-	(41,288)	151,762	34,376
Compensated absences	<u>32,219</u>	<u>31,933</u>	<u>(18,081)</u>	<u>46,071</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 225,269</u>	<u>\$ 31,933</u>	<u>\$ (59,369)</u>	<u>\$ 197,833</u>	<u>\$ 34,376</u>
Business-type activities:					
1997 revenue bonds	\$ 80,000	\$ -	\$ (10,000)	\$ 70,000	\$ 10,000
DWRF loan payable	<u>-</u>	<u>654,960</u>	<u>-</u>	<u>654,960</u>	<u>-</u>
Total noncurrent liabilities	<u>\$ 80,000</u>	<u>\$ 654,960</u>	<u>\$ (10,000)</u>	<u>\$ 724,960</u>	<u>\$ 10,000</u>

At June 30, 2006, debt service requirements, with the exception of the compensated absences, were as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ended June 30:				
2007	\$ 34,375	\$ 6,390	\$ 10,000	\$ 17,143
2008	28,499	5,114	110,000	16,643
2009	29,130	3,970	115,000	15,590
2010	29,758	2,796	115,000	14,505
2011	15,000	1,590	110,000	13,410
2012 - 2016	<u>15,000</u>	<u>795</u>	<u>264,960</u>	<u>98,317</u>
	<u>\$ 151,762</u>	<u>\$ 20,655</u>	<u>\$ 724,960</u>	<u>\$ 175,608</u>

City of Galesburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At June 30, 2006, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General fund	\$ 19,012	Major Street fund	\$ 2,355
		Local Street fund	1,660
		Sewer fund	8,259
		Water fund	4,949
		Internal service fund	1,789
			<u>19,012</u>
Museum fund	1,483	General fund	<u>39,483</u>
Debt service	5,511	Sewer fund	4,171
		Water fund	<u>1,340</u>
			<u>5,511</u>
Sewer fund	41,445	Water fund	<u>3,445</u>
Total	\$ 67,451	Total	\$ 67,451

An interfund advance from the Sewer Fund to the General Fund has a balance of \$38,000 at June 30, 2006. The advance is being repaid in annual installments as cash is considered available for repayment purposes in the General Fund. In the year ended June 30, 2006, a \$6,000 repayment was made.

The remaining interfund balances represent temporary amounts arising due to the use of pooled disbursement accounts for operations and debt service payments.

The interfund transfer for the year ended June 30, 2006 represents the transfer of \$23,056 of unrestricted funds from the Major Street fund to the Local Street Fund (a nonmajor fund) to finance a portion of local street costs.

City of Galesburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - RISK MANAGEMENT:

The City is exposed to various risks of loss arising from general liability, wrongful acts, professional liability, property damage and destruction, crimes, accidents, and injuries.

Risks of loss arising from possible claims are managed through the purchase of commercial insurance. General, professional, wrongful act, and automotive liabilities policy period maximums are set at \$2,000,000 to \$5,000,000. Buildings and property coverage's total approximately \$2,000,000.

For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 9 - JOINT VENTURE:

The Galesburg-Charleston Fire Department (the Department) is a joint venture of the City of Galesburg and the Township of Charleston. The administrative board of the Department consists of five members: one at-large member and two members from each of the participating units. The budget of the Department must be approved by each of the participating units. The costs of operations and capital expenditures of the Department are supported by contributions from the participating units in equal shares. During the year ended June 30, 2006, the City contributed \$41,705 to the Department for operations. Complete audited financial statements for the Department can be obtained from the Treasurer of the Department.

NOTE 10 - RETIREMENT PLAN:

The City provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The City contributes up to 5% of each qualified employee's base salary to the plan as a match. The City's contributions are fully vested after three years of employment. The City is not a trustee of the plan, nor is the City responsible for investment management of plan assets.

The City and employees made the required contributions of \$15,817.

NOTE 11 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2006, follows:

Revenues	\$ 4,433
Expenses	<u>(3,214)</u>
Excess of revenues over expenses	<u>\$ 1,219</u>

City of Galesburg
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RESTRICTED NET ASSETS:

Net assets as of June 30, 2006, are restricted for the following purposes:

General government - cemetery	\$ 22,324
Public safety	33,801
Public works	178,218
Recreation and culture	21,407
Debt service	<u>91,100</u>
	<u>\$ 346,850</u>

NOTE 13 - PRIOR PERIOD ADJUSTMENTS:

The governmental activities net assets and related fund balances as of July 1, 2005, have been restated for the effect of the following prior period adjustments:

	<u>Net assets governmental activities</u>	<u>Fund balances governmental funds</u>
Beginning of year, as previously reported	\$ 1,208,683	\$ 491,931
Prior period adjustments:		
Overstatement of receivables	<u>(22,220)</u>	<u>(22,220)</u>
Beginning of year, as restated	<u>\$ 1,186,463</u>	<u>\$ 469,711</u>

NOTE 14 - COMMITTED CONSTRUCTION:

At June 30, 2006, the City had the following contractual construction commitments:

	<u>Project authorization</u>	<u>Expended through June 30, 2006</u>	<u>Committed</u>
Water system improvements	<u>\$2,163,915</u>	<u>\$455,891</u>	<u>\$1,708,024</u>

This project is to be funded from the available Drinking Water Revolving Fund bond proceeds held by the State of Michigan.

REQUIRED SUPPLEMENTARY INFORMATION

City of Galesburg
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 241,171	\$ 241,171	\$ 237,822	\$ (3,349)
State grants	180,667	186,594	199,558	12,964
Intergovernmental	15,840	15,840	15,840	-
Fines and forfeitures	39,400	39,400	49,549	10,149
Charges for services	29,276	29,276	23,306	(5,970)
Interest	-	-	316	316
Other	<u>23,100</u>	<u>23,100</u>	<u>14,095</u>	<u>(9,005)</u>
Total revenues	<u>529,454</u>	<u>535,381</u>	<u>540,486</u>	<u>5,105</u>
EXPENDITURES				
Legislative - City Council	<u>10,765</u>	<u>10,065</u>	<u>9,290</u>	<u>775</u>
General government:				
Elections	5,180	3,180	1,938	1,242
Assessor	9,389	10,139	10,092	47
Administration	61,800	87,755	90,424	(2,669)
Cemetery	8,474	8,474	8,809	(335)
Cable Commission	12,876	12,876	12,536	340
Building and grounds	<u>24,497</u>	<u>27,715</u>	<u>18,922</u>	<u>8,793</u>
Total general government	<u>122,216</u>	<u>150,139</u>	<u>142,721</u>	<u>7,418</u>
Public safety:				
Police	199,928	199,928	195,751	4,177
Fire	70,520	70,520	41,705	28,815
Protective inspections	<u>2,115</u>	<u>3,415</u>	<u>3,214</u>	<u>201</u>
Total public safety	<u>272,563</u>	<u>273,863</u>	<u>240,670</u>	<u>33,193</u>
Public works - department of public works	<u>63,106</u>	<u>47,508</u>	<u>45,078</u>	<u>2,430</u>
Community and economic development - planning commission	<u>1,304</u>	<u>2,145</u>	<u>2,514</u>	<u>(369)</u>

City of Galesburg**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Culture and recreation:				
Library	\$ 74,815	\$ 74,815	\$ 72,296	\$ 2,519
Museum	<u>4,054</u>	<u>3,954</u>	<u>3,849</u>	<u>105</u>
Total culture and recreation	<u>78,869</u>	<u>78,769</u>	<u>76,145</u>	<u>2,624</u>
Debt service:				
Principal	<u>-</u>	<u>-</u>	<u>13,993</u>	<u>(13,993)</u>
Interest	<u>-</u>	<u>-</u>	<u>362</u>	<u>(362)</u>
Capital outlay	<u>6,850</u>	<u>6,850</u>	<u>6,275</u>	<u>575</u>
Total expenditures	<u>555,673</u>	<u>569,339</u>	<u>537,048</u>	<u>32,291</u>
NET CHANGE IN FUND BALANCES	<u>(26,219)</u>	<u>(33,958)</u>	<u>3,438</u>	<u>37,396</u>
FUND BALANCES - BEGINNING	<u>90,473</u>	<u>90,473</u>	<u>90,473</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 64,254</u>	<u>\$ 56,515</u>	<u>\$ 93,911</u>	<u>\$ 37,396</u>

City of Galesburg
BUDGETARY COMPARISON SCHEDULE - Major Street Fund
Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ 86,279	\$ 86,279	\$ 91,092	\$ 4,813
Interest	-	-	625	625
Other	300	300	3,476	3,176
Total revenues	<u>86,579</u>	<u>86,579</u>	<u>95,193</u>	<u>8,614</u>
EXPENDITURES				
Public works:				
Routine maintenance	43,089	37,822	40,694	(2,872)
Construction	25,000	65,319	65,319	-
Traffic services	3,275	3,325	3,197	128
Winter maintenance	6,000	3,660	3,634	26
Administration	500	16,399	11,427	4,972
Total expenditures	<u>77,864</u>	<u>126,525</u>	<u>124,271</u>	<u>2,254</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>8,715</u>	<u>(39,946)</u>	<u>(29,078)</u>	<u>10,868</u>
OTHER FINANCING USES				
Transfer out - Local Street Fund	<u>(23,896)</u>	<u>(23,896)</u>	<u>(23,056)</u>	<u>(840)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>(15,181)</u>	<u>(63,842)</u>	<u>(52,134)</u>	<u>10,028</u>
FUND BALANCES - BEGINNING	<u>195,894</u>	<u>195,894</u>	<u>195,894</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 180,713</u>	<u>\$ 132,052</u>	<u>\$ 143,760</u>	<u>\$ 10,028</u>

SUPPLEMENTARY INFORMATION

City of Galesburg
COMBINING BALANCE SHEET - nonmajor governmental funds
June 30, 2006

	Special revenue funds			
	Local Street	Public Safety	Museum	Library
ASSETS				
Cash	\$ 31,372	\$ 33,801	\$ 1,375	\$ 19,096
Account receivables	-	-	-	-
Due from other governmental units	4,746	-	-	-
Due from other funds	-	-	1,483	-
Total assets	<u>\$ 36,118</u>	<u>\$ 33,801</u>	<u>\$ 2,858</u>	<u>\$ 19,096</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ -	\$ -	\$ -	\$ 547
Due to other funds	<u>1,660</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,660</u>	<u>-</u>	<u>-</u>	<u>547</u>
Fund balances, unreserved	<u>34,458</u>	<u>33,801</u>	<u>2,858</u>	<u>18,549</u>
Total liabilities and fund balances	<u>\$ 36,118</u>	<u>\$ 33,801</u>	<u>\$ 2,858</u>	<u>\$ 19,096</u>

<u>Perpetual Care</u>	<u>Debt Service</u>	<u>Total nonmajor governmental funds</u>
\$ 22,324	\$ 70,952	\$ 178,920
-	14,637	14,637
-	-	4,746
-	5,511	6,994
<u>\$ 22,324</u>	<u>\$ 91,100</u>	<u>\$ 205,297</u>
\$ -	\$ 14,637	\$ 15,184
-	-	1,660
<u>-</u>	<u>14,637</u>	<u>16,844</u>
<u>22,324</u>	<u>76,463</u>	<u>188,453</u>
<u>\$ 22,324</u>	<u>\$ 91,100</u>	<u>\$ 205,297</u>

City of Galesburg**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - nonmajor governmental funds**

Year ended June 30, 2006

	<u>Local Street</u>	<u>Public Safety</u>	<u>Museum</u>	<u>Galesburg Memorial Library</u>
REVENUES				
Property taxes	\$ -	\$ 24,724	\$ -	\$ -
State grants	28,740	-	-	-
Interest	-	350	14	404
Other	-	-	-	2,675
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	28,740	25,074	14	3,079
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Public works	45,996	-	-	-
Recreation and culture	-	-	77	1,046
Debt service:				
Principal	-	17,295	-	-
Interest and fiscal charges	-	3,165	-	-
Capital outlay	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	45,996	20,460	77	1,046
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,256)	4,614	(63)	2,033
	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES				
Transfer in	23,056	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	5,800	4,614	(63)	2,033
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - BEGINNING	28,658	29,187	2,921	16,516
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	<u>\$ 34,458</u>	<u>\$ 33,801</u>	<u>\$ 2,858</u>	<u>\$ 18,549</u>

<i>Perpetual Care</i>	<i>Debt Service</i>	<i>Total nonmajor governmental funds</i>
\$ -		\$ 24,724
-		28,740
56	1,176	2,000
<u>287</u>	<u>5,511</u>	<u>8,473</u>
 343	 6,687	 63,937
 -	 -	 45,996
 -	 -	 1,123
 -	 10,000	 27,295
 -	 4,305	 7,470
 <u>-</u>	 <u>-</u>	 <u>-</u>
 -	 14,305	 81,884
 <u>343</u>	 <u>(7,618)</u>	 <u>(17,947)</u>
 -	 -	 23,056
 343	 (7,618)	 5,109
<u>21,981</u>	<u>84,081</u>	<u>183,344</u>
<u>\$ 22,324</u>	<u>\$ 76,463</u>	<u>\$ 188,453</u>